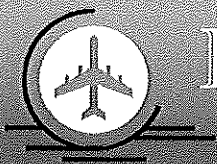


# Polk County Aviation Authority

## Audited Financial Statements and Required Supplementary Information

For the Years Ended June 30, 2009 and 2010



PCAA

Polk County Aviation Authority  
410 West First Street  
Ankeny, IA 50023-1557  
Phone: (515)965-6423  
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**POLK COUNTY AVIATION AUTHORITY  
Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
John Pighetti	Chairperson	Polk County
Jeff Wangsness	Secretary	Ankeny
Dr Paul Novak	Treasurer	Polk County
Brant Anderson	Member	Altoona
James M Gocke	Member	Polk County
Jason Greubel	Member	Bondurant
Gary Lorenz	Member	Ankeny
Amy Beattie	Attorney	Brick Gentry PC
Richard D Ash	Staff Administrator	City of Ankeny
Margaret Waldschmitt	Recording Secretary	City of Ankeny
Jennifer Sease	Finance Director	City of Ankeny
Exec 1 Aviation Inc	FBO	

**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Polk County Aviation Authority  
Ankeny, Iowa

We have audited the accompanying balance sheets of Polk County Aviation Authority as of June 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Polk County Aviation Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Polk County Aviation Authority as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2010 on our consideration of Polk County Aviation Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 18 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Denman & Company, LLP*

**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
October 19, 2010

**POLK COUNTY AVIATION AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2010**

The following discussion and analysis of the Polk County Aviation Authority's (the Authority) financial performance provides an introduction to the financial statements for the fiscal year ended June 30, 2010. It is intended to give the readers an overview of and additional insight into the financial activities of the Authority over the past year. This will be done most effectively by reading this discussion in conjunction with the information contained in the Authority's financial statements.

**Overview of the Financial Statements**

Following this discussion and analysis are the basic financial statements of the Authority together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's financial statements are designed to provide readers with a broad overview of the Authority's finances.

The *Balance Sheets* present the Authority's financial position, in its entirety, as of June 30. All of the Authority's assets and liabilities are presented with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Authority's overall financial position.

The *Statements of Revenues, Expenses, and Changes in Net Assets* present information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement that will result in cash flows in future periods.

The *Statements of Cash Flows* relate to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are reported in this statement. A reconciliation is provided at the bottom of this statement to assist in the understanding of the difference between cash flows from operating activities and operating income.

In addition to the basic financial statements and accompanying notes, this report also presents the *Budgetary Comparison Schedule*.

**Financial Highlights**

- The current assets of the Authority were \$2,908,498 while the current liabilities were \$282,605, a ratio of 10.3:1.
- The Authority's total assets decreased by \$669,275 and total liabilities decreased by \$199,309 from 2009.
- The assets of the Authority exceeded its liabilities at the close of the year by \$10,799,206 (net assets). Of this amount, \$1,627,216 is unrestricted net assets and may be used to meet the Authority's ongoing obligations, and \$1,208,814 is restricted for airport improvement projects.

**POLK COUNTY AVIATION AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2010**

**Financial Analysis**

The following represents the Authority's financial position for the years ended June 30:

**Net Assets**

	2010	2009
Current assets	\$ 2,908,498	\$ 2,761,088
Capital assets	11,228,536	12,039,509
Other noncurrent assets	58,900	64,612
Total assets	<u>14,195,934</u>	<u>14,865,209</u>
Current liabilities	282,605	271,777
Noncurrent liabilities	3,114,123	3,324,260
Total liabilities	<u>3,396,728</u>	<u>3,596,037</u>
Invested in capital assets, net of related debt	7,963,176	8,574,724
Restricted	1,208,814	1,276,442
Unrestricted	1,627,216	1,418,006
Total net assets	<u>\$ 10,799,206</u>	<u>\$ 11,269,172</u>

The following represents the Authority's summary of changes in net assets for the years ended June 30:

**Changes In Net Assets**

	2010	2009
Total operating revenues	\$ 864,547	\$ 834,134
Total operating expenses	270,313	188,502
Operating income before depreciation	594,234	645,632
Depreciation	870,070	862,337
Operating loss	(275,836)	(216,705)
Nonoperating income	31,785	27,664
Nonoperating expense	(225,915)	(236,217)
Capital contributions	-	453,170
Change in net assets	(469,966)	27,912
Net assets - beginning	11,269,172	11,241,260
Net assets - ending	<u>\$ 10,799,206</u>	<u>\$ 11,269,172</u>

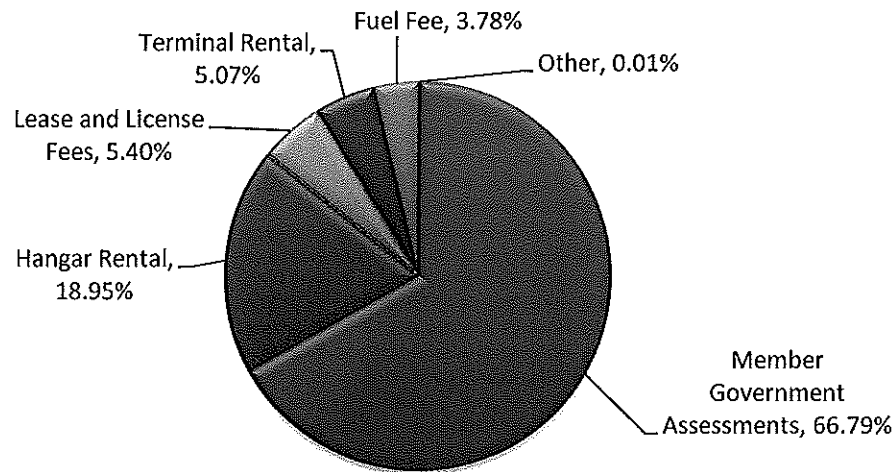
**POLK COUNTY AVIATION AUTHORITY**

**Management's Discussion and Analysis**

**For the Year Ended June 30, 2010**

The following represents the Authority's summary of operating revenues for the year ended June 30, 2010:

**Operating Revenues By Source**



The following is a comparison of the Authority's operating revenues by source for the years ended June 30:

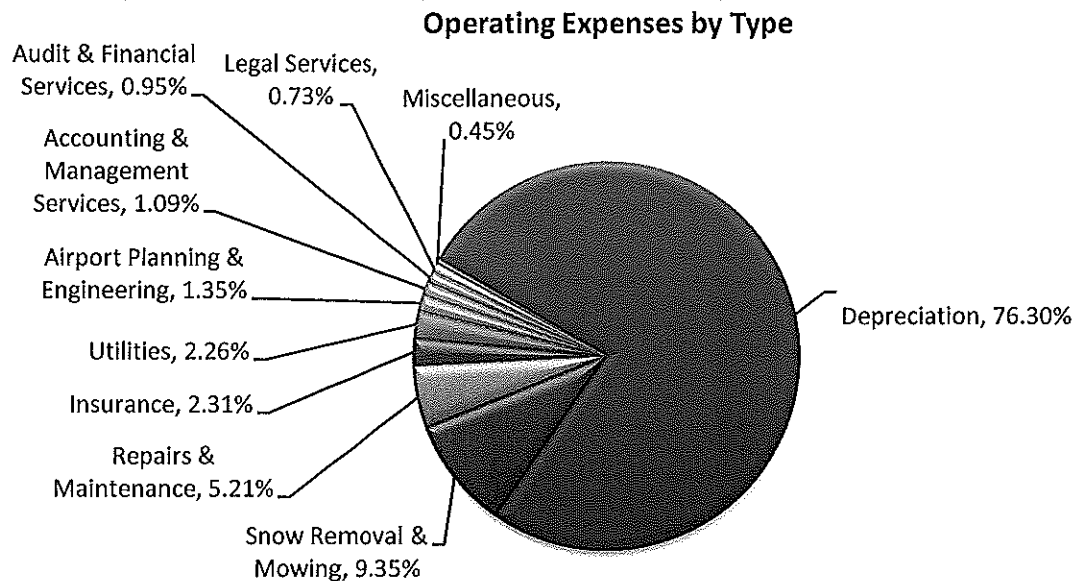
**Operating Revenues By Source**

	2010	2009
Member government assessments	\$ 577,421	\$ 543,946
Lease and license fee income	46,685	57,998
Fuel fee	32,682	26,215
Hangar rental income	163,875	162,560
Terminal rental income	43,839	43,415
Other	45	-
Total operating revenues	<u>\$ 864,547</u>	<u>\$ 834,134</u>

- Total operating revenues increased by \$30,413 or 3.65%.
- Member government assessments increased by \$33,475 or 6.15% due to increases in the taxable valuation of the Authority's members.
- Lease and license fee revenue decreased by \$11,313 or 19.51%. A lease agreement with Ankeny-Des Moines Aviation Exposition, Inc was not renewed at the end of the lease agreement leading to the decrease in lease and license fee revenue.
- Fuel fee revenue increased by \$6,467 or 24.67%. An increase in corporate jet traffic and charter flights contributed to the increase in fuel fee revenue.

**POLK COUNTY AVIATION AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2010**

The following represents the Authority's summary of operating expenses including depreciation for the year ended June 30, 2010:



The following is a comparison of the Authority's operating expenses by type for the years ended June 30:

**Operating Expenses By Type**

	2010	2009
Repairs and maintenance	\$ 59,376	\$ 21,995
Snow removal and mowing	106,657	72,989
Depreciation	870,070	862,337
Utilities	25,731	25,915
Insurance	26,353	27,824
Airport planning and engineering	15,429	5,061
Accounting and management services	12,436	9,157
Legal services	8,361	12,243
Audit and financial services	10,850	9,662
Miscellaneous	5,120	3,656
Total operating expenses	<u>\$ 1,140,383</u>	<u>\$ 1,050,839</u>

- Total operating expenses increased by \$89,544 or 8.52%.
- Repair and maintenance costs increased by \$37,381 or 169.95% primarily due to two projects related to improving storm water drainage near the terminal building and the replacement of a farm culvert.



## POLK COUNTY AVIATION AUTHORITY

### Management's Discussion and Analysis

For the Year Ended June 30, 2010

- Snow removal and mowing expenses increased by \$33,668 or 46.13% due to near record snow fall amounts during the 2009-2010 winter season.
- Airport planning and engineering costs increased by \$10,368 or 204.86% primarily due to the previously mentioned drainage improvement projects and also due to evaluations of the terminal building roof.
- Legal services costs decreased by \$3,882 or 31.71% returning to a more normal level in fiscal year 2010 following an increase in costs due to the change in ownership of the Fixed Based Operator in fiscal year 2009.

### Capital Assets and Debt Administration

**Capital Assets.** The Authority's capital assets, net of accumulated depreciation, as of June 30, 2010, amounts to \$11,228,536. The Authority's capital assets include land, construction in progress, buildings, infrastructure, and equipment and furniture.

The total decrease in the Authority's capital assets for the current fiscal year was \$810,973 or 6.74%.

Major capital asset events during the current fiscal year included the following:

- Depreciation on capital assets was \$870,070.
- The Authority had entered into a contract for engineering services for the SE Four Mile Drive Relocation and Land Acquisition project. Construction in progress at June 30 was \$123,782.

The following represents the Authority's summary of capital assets for the years ended June 30:

	2010	2009
Land	\$ 4,614,647	\$ 4,614,647
Construction in progress	123,782	538,262
Aviation museum	162,939	162,939
Equipment and furniture	82,076	82,076
Runway	8,462,384	7,988,807
Taxiway	3,451,883	3,451,883
Apron	1,611,720	1,611,720
T-hangars and access road	2,074,283	2,074,283
Taxiway (offset)	51,951	51,951
Terminal building	758,141	758,141
Parking lot improvements	81,574	81,574
Transmission line lighting	90,876	90,876
Field fence	47,399	47,399
Total	21,613,655	21,554,558
Less accumulated depreciation	10,385,119	9,515,049
Net	<u>\$ 11,228,536</u>	<u>\$ 12,039,509</u>

**POLK COUNTY AVIATION AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2010**

Additional information on the Authority's capital assets can be found in the notes to the financial statements on pages 14-15 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the Authority had total bonded debt outstanding of \$3,545,000. All of these bonds were issued by Polk County, Iowa during fiscal year 2005 on behalf of the Authority. The Authority has entered into an agreement with Polk County, Iowa to repay the debt and all related costs of the bond issue.

The Authority's total long-term debt decreased by \$210,137 (6.32%) during fiscal year 2010. The decrease was primarily due to the re-payment of bond principal during the fiscal year.

Additional information on the Authority's long-term debt can be found in the notes to the financial statements on pages 15-16 of this report.

### **Budgetary Information**

The Authority prepares an annual budget for all revenues and expenses. The budget is prepared on a modified accrual basis of accounting, which is an accounting method not in conformance with accounting principles generally accepted in the United States of America. A reconciliation is included in the Required Supplementary Information on page 20 showing the differences between the budget basis revenues and expenses and the full accrual basis revenues and expenses.

- Change in net assets was greater than budgeted by \$61,968.
- Operating expenses were under budget by \$2,343,390.
- Interest income was over budget by \$1,785.
- Federal Aviation Authority grant revenue was under budget by \$2,284,750.

### **Authority Development Initiatives**

The Authority is in the process of planning and designing the relocation of SE Four Mile Drive and acquiring the necessary land for the purpose of protecting the eastern clearance zone for runway 22.

The Authority is in the process of developing plans and identifying partners for the development of a corporate hangar and apron area on the southwest side of the airport.

### **Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Polk County Aviation Authority, 410 West First Street, Ankeny, Iowa 50023.

**POLK COUNTY AVIATION AUTHORITY**

**Balance Sheets  
June 30, 2010 and 2009**

	<u><b>2010</b></u>	<u><b>2009</b></u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,679,616	\$ 1,462,105
Cash - restricted	1,212,374	1,206,856
Accounts receivable	10,687	85,865
Prepaid Insurance	5,821	6,262
	<u>2,908,498</u>	<u>2,761,088</u>
<b>Noncurrent assets</b>		
Capitalized bond issue costs - net of amortization of \$27,357 and \$21,645	58,900	64,612
Construction in progress	123,782	538,262
Property and equipment	11,104,754	11,501,247
	<u>11,287,436</u>	<u>12,104,121</u>
<b>Total assets</b>	<u><u>\$ 14,195,934</u></u>	<u><u>\$ 14,865,209</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 23,718	\$ 23,646
Interest payable	15,020	15,938
Deferred revenue	33,730	27,056
Current portion bonds payable	240,000	235,000
Discount on bonds payable	(2,557)	(2,557)
Advance refunding deferral	(27,306)	(27,306)
	<u>282,605</u>	<u>271,777</u>
<b>Long-term debt</b>		
Bonds payable	3,305,000	3,545,000
Discount on bonds payable	(22,658)	(25,215)
Advance refunding deferral - net of amortization of \$161,561 and \$134,255	(168,219)	(195,525)
	<u>3,114,123</u>	<u>3,324,260</u>
<b>Total liabilities</b>	<u>3,396,728</u>	<u>3,596,037</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	7,963,176	8,574,724
Restricted for airport improvement projects	1,208,814	1,276,442
Unrestricted	1,627,216	1,418,006
<b>Total net assets</b>	<u>10,799,206</u>	<u>11,269,172</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 14,195,934</u></u>	<u><u>\$ 14,865,209</u></u>

See accompanying notes to financial statements.

**POLK COUNTY AVIATION AUTHORITY**

**Statements of Revenues, Expenses and Changes in Net Assets  
For the Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Operating revenues</b>		
Member government assessments	\$ 577,421	\$ 543,946
Lease and license fee income	46,685	57,998
Fuel fee	32,682	26,215
Hangar rental income	163,875	162,560
Terminal rental income	43,839	43,415
Other	45	-
Total revenues	<u>864,547</u>	<u>834,134</u>
<b>Operating expenses</b>		
<b>Operations</b>		
Repairs and maintenance	59,376	21,995
Snow removal and mowing	106,657	72,989
Depreciation	870,070	862,337
Utilities	25,731	25,915
Insurance	18,910	20,293
Airport planning and engineering	15,429	5,061
	<u>1,096,173</u>	<u>1,008,590</u>
<b>General and administration</b>		
Accounting and management services	12,436	9,157
Legal services	8,361	12,243
Audit and financial services	10,850	9,662
Insurance	7,443	7,531
Miscellaneous	5,120	3,656
	<u>44,210</u>	<u>42,249</u>
Total operating expenses	<u>1,140,383</u>	<u>1,050,839</u>
<b>Operating loss</b>	(275,836)	(216,705)
<b>Nonoperating income (expense)</b>		
Investment Income	31,785	27,664
Amortization of bond costs and discount	(8,269)	(8,269)
Interest expense	(217,646)	(227,948)
<b>Change in net assets before capital contributions</b>	<u>(469,966)</u>	<u>(425,258)</u>
FAA grant for capital improvements	<u>-</u>	<u>453,170</u>
<b>Change in net assets</b>	(469,966)	27,912
Net assets - beginning of year	11,269,172	11,241,260
Net assets - end of year	<u>\$ 10,799,206</u>	<u>\$ 11,269,172</u>

See accompanying notes to financial statements

**POLK COUNTY AVIATION AUTHORITY**

**Statements of Cash Flows  
For the Years Ended June 30, 2010 and 2009**

	<u><b>2010</b></u>	<u><b>2009</b></u>
<b>Cash flows from operating activities:</b>		
Member government assessments	\$ 577,421	\$ 543,946
Rental and fee income	298,539	283,911
Cash payments to suppliers for goods and services	<u>(272,507)</u>	<u>(183,010)</u>
Net cash provided by operating activities	<u>603,453</u>	<u>644,847</u>
<b>Cash flows from capital and related financing activities:</b>		
Outlay for property and equipment	(56,391)	(460,334)
Payment of bond principal	(235,000)	(225,000)
Payment of bond interest	(191,257)	(201,495)
Grant proceeds received	<u>70,439</u>	<u>406,102</u>
Net cash used in capital and related financing activities	<u>(412,209)</u>	<u>(480,727)</u>
<b>Cash flows from investing activities:</b>		
Investment income	<u>31,785</u>	<u>27,664</u>
<b>Net increase in cash and cash equivalents</b>	223,029	191,784
Cash and cash equivalents at beginning of year	1,462,105	1,175,957
Restricted cash and cash equivalents at beginning of year	1,206,856	1,301,220
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 2,891,990</u></u>	<u><u>\$ 2,668,961</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss	\$ (275,836)	\$ (216,705)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	870,070	862,337
(Increase) decrease in accounts receivable	4,739	(7,152)
(Increase) decrease in prepaid Insurance	440	(48)
Increase (decrease) in accounts payable	(2,634)	5,541
Increase in deferred revenue	<u>6,674</u>	<u>874</u>
Net cash provided by operating activities	<u><u>\$ 603,453</u></u>	<u><u>\$ 644,847</u></u>

See accompanying notes to financial statements.

# **POLK COUNTY AVIATION AUTHORITY**

## **Notes to Financial Statements**

**June 30, 2010 and 2009**

### **NOTE 1 - ORGANIZATION**

The Polk County Aviation Authority was organized as an Aviation Authority under Chapter 330A of the Code of Iowa 1987. The Authority operates a municipal airport in Ankeny, Iowa. The member municipalities are the cities of Altoona, Ankeny, Bondurant, and the unincorporated area of Polk County. Through a 28E agreement, each member government contributes an annual levy based on the assessed value of taxable property in the municipality. The 28E agreements expire in the years 2020 and 2021. The breakdown of member government assessments for the year ended June 30, 2010 are \$66,658 from Altoona, \$274,659 from Ankeny, \$12,452 from Bondurant and \$223,652 from unincorporated Polk County. The breakdown of member government assessments for the year ended June 30, 2009 are \$63,855 from Altoona, \$253,085 from Ankeny, \$10,653 from Bondurant and \$216,353 from unincorporated Polk County.

The Board of Directors of the Authority consists of seven representatives of the member municipalities and area. The Board of Directors is composed of three representatives appointed by the Polk County Board of Supervisors; two representatives appointed by the mayor of Ankeny; one representative appointed by the mayor of Altoona; and one representative appointed by the mayor of Bondurant.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounts of the Authority are organized as an Enterprise Fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises.

The Authority prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting. The Authority applies all GASB pronouncements as well as all Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

The Authority treats all bank accounts and certificates of deposits and all other investments with an original maturity of three months or less as cash equivalents for presentation in the statements of cash flows.

Accounts receivable consists primarily of cost reimbursement and grant receivables from other governmental entities and T-hangar rentals. Management believes that all receivables are collectible and therefore no allowance is recorded.

Deferred revenue reflects payments received on hangar leases prior to the date due. The account is adjusted to record revenue in the month of the rental period.

Capitalized assets are accounted for at historical cost. The cost of repair and maintenance is charged as an expense, while the cost of renewals or substantial betterments is capitalized.

**POLK COUNTY AVIATION AUTHORITY**

**Notes to Financial Statements**

**June 30, 2010 and 2009**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Expenses related to the purchase of land have been capitalized. These include purchase price, appraisal fees, legal fees and crop loss payments.

Expenses relating to construction are capitalized as construction in progress. These costs are capitalized and depreciated when the asset is placed in service.

Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets of five to twenty years.

The Loan Revenue Maintenance Agreement between Polk County, Iowa and the Authority requires the establishment of three funds as follows:

**Project Fund** - to account for proceeds from the sale of bonds and used to pay costs of the project, including administrative costs. Net assets restricted for airport improvements are \$1,208,814 and \$1,276,442 at June 30, 2010, and 2009, respectively.

**Revenue Fund** - to account for all revenues, fees, rentals or other charges or receipts derived from the services and facilities of the project. These funds may also be used to pay costs of operation of the airport.

**Capital Reserve Fund** - to account for receipt of all tax revenues levied by the members of the Authority and to pay bond principal and interest. These funds may also be used for payment of the costs of operation of the airport if and only to the extent funds available exceed the amount necessary for the payment of principal and interest on the bonds in any fiscal year.

Expenses relating to the bond issues and the discount on bonds have been capitalized and are being amortized over the life of the bonds.

The Authority's policy is to specifically identify which expenditures are paid from restricted funds when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating income includes revenues and expenses related to the primary, continuing operations of the Authority. Principal operating revenues includes member government assessments and charges for rentals or services. Principal operating expenses are the costs of providing the rental or services and include administrative expenses and depreciation of capital assets. Grant revenues received for capital improvements, investment income and interest expenses are classified as nonoperating in the financial statements.

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

POLK COUNTY AVIATION AUTHORITY

Notes to Financial Statements

June 30, 2010 and 2009

**NOTE 3 – INVESTMENTS**

State law and the bond agreements limit the investment vehicles that may be used by the Authority. Authorized investments include direct obligations of the United States government and its agencies, certificates of deposit, commercial paper, repurchase agreements, open-end management investment companies registered with the Securities and Exchange Commission, and Iowa Public Agency Investment Trust. There are further restrictions related to the ratings of the investments authorized.

The Authority is part of a state collateral pool that insures funds held for government entities by financial institutions. All of the Authority's funds are held in financial institutions. The investment policy of the Authority does not address concentration of credit risk.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	2009	Additions	Disposed	2010
Land	\$ 4,614,647	\$ -	\$ -	\$ 4,614,647
Aviation museum	162,939	-	-	162,939
Equipment and furniture	82,076	-	-	82,076
Runway	7,988,807	473,577	-	8,462,384
Taxiway	3,451,883	-	-	3,451,883
Apron	1,611,720	-	-	1,611,720
T-Hangars, access road	2,074,283	-	-	2,074,283
Taxiway (offsite)	51,951	-	-	51,951
Terminal building	758,141	-	-	758,141
Parking lot improvements	81,574	-	-	81,574
Transmission line lighting	90,876	-	-	90,876
Field fence replacement	47,399	-	-	47,399
Total	21,016,296	473,577	-	21,489,873
Accumulated depreciation	9,515,049	870,070	-	10,385,119
Net	<u>\$ 11,501,247</u>	<u>\$ (396,493)</u>	<u>\$ -</u>	<u>\$ 11,104,754</u>

The Authority received an ownership interest in the aviation museum which had been owned by a not-for-profit organization. The property was transferred in its entirety at completion and acceptance by the Board in accordance with the terms of the land license agreement. Depreciation expense of \$8,147 per year is included in the operating expenses for 2009 and 2010.



# **POLK COUNTY AVIATION AUTHORITY**

## **Notes to Financial Statements**

**June 30, 2010 and 2009**

### **NOTE 5 - CONSTRUCTION IN PROGRESS AND COMMITMENTS**

#### SE Four Mile Drive Relocation and Runway 22 Protection Zone Land Acquisition

The Authority has entered into a contract for engineering services for the SE Four Mile Drive Relocation project for \$211,603 and engineering related to the acquisition of land for runway protection zones, obstruction clearing and the SE Four Mile Drive relocation for \$105,880. Costs of \$59,097 have been incurred under the contracts as of June 30, 2010.

### **NOTE 6 – LONG-TERM DEBT**

#### Defeased Debt

On August 20, 1998, the Authority issued revenue bonds in the amount of \$2,000,000. The bonds are dated August 1, 1998 and call for semi-annual interest payments on the first day of June and December. The bonds have interest rates from 4.5% to 4.875%.

On August 10, 2000, the Authority issued revenue bonds in the amount of \$1,820,000. The bonds are dated August 1, 2000 and call for semi-annual interest payments on the first day of June and December. The bonds have interest rates from 6.0% to 6.25%.

An advance refunding of the bonds resulting in an in-substance defeasance of the debt occurred in July 2004 through the issuance of two new bond issues by Polk County, Iowa on behalf of the Authority. The Authority has entered into an agreement with Polk County, Iowa to repay the debt and all related costs of the bond issues. As of June 30, 2010, \$2,585,000 was still outstanding.

The net proceeds of \$3,343,994 (after payment of \$141,425 of underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 and 2000 Series bonds. As a result, the 1998 and 2000 Series bonds are considered to be defeased and the liability for those bonds has been removed from the liabilities of the Authority. The amount of the defeased bonds outstanding to be paid from the escrow account was \$2,090,000 and \$2,270,000 at June 30, 2010 and 2009, respectively.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$357,087 which is shown net of accumulated amortization of \$161,561 in the accompanying financial statements as a deduction from bonds payable. The balance is being charged to operations through the year 2020 using the straight-line method.

#### Outstanding Debt

Polk County, Iowa issued a new \$1,250,000 bond issue on behalf of the Authority on July 29, 2004. The proceeds will be used for capital improvements to the Airport. The Authority has entered into an agreement with Polk County, Iowa to repay the debt and all related costs of the bond issue. As of June 30, 2010, \$960,000 was still outstanding.

**POLK COUNTY AVIATION AUTHORITY**

**Notes to Financial Statements**

**June 30, 2010 and 2009**

**NOTE 6 – DEBT (CONTINUED)**

Bonds payable at 6-30-08	\$ 4,005,000
Principal payment on loans FY09	<u>(225,000)</u>
Bonds payable at 6-30-09	\$ 3,780,000
Principal payment on loans FY10	<u>(235,000)</u>
Bonds payable at 6-30-10	<u><u>\$ 3,545,000</u></u>

The notes are secured by the full faith and credit of the Authority and Polk County.

The bonds issued in July 2004 related to the refunding of the bonds noted above and for capital improvements mature and bear interest as follows:

<u>Maturity (June 1)</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Interest Rate</u>
2011	240,000	180,245	4.75% - 4.75%
2012	250,000	168,845	4.75% - 5.00%
2013	265,000	156,808	4.75% - 4.75%
2014	280,000	144,220	5.00% - 5.00%
2015	295,000	130,220	5.05% - 5.05%
2016 – 2020	1,785,000	406,023	5.10% - 5.25%
2021	<u>430,000</u>	<u>22,575</u>	5.25% - 5.25%
	<u><u>\$ 3,545,000</u></u>	<u><u>\$ 1,208,936</u></u>	

Interest incurred on the notes for the years ended June 30, 2010 and 2009 was \$190,340 and \$200,642 respectively. Interest expense for the years ended June 30, 2010 and 2009 includes amortization of the advance refunding deferral of \$27,306.

**NOTE 7 - RISK MANAGEMENT**

Polk County Aviation Authority is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; environmental issues and natural disasters. These risks are covered by commercial insurance coverage. There have been no insurance claims filed for the past five years.

**NOTE 8- RELATED PARTY TRANSACTIONS**

Management and accounting services are performed by City of Ankeny, a member government. Amounts paid for these services are reflected in the expense line items accounting and management services. A \$6,499 payable to the City of Ankeny for administrative services is included in accounts payable at June 30, 2010. Polk County and the City of Ankeny have also issued grant funds to the Authority in prior years and Polk County has issued bonds on behalf of the Authority as described in Note 6.

**POLK COUNTY AVIATION AUTHORITY**

**Notes to Financial Statements**

**June 30, 2010 and 2009**

**NOTE 8- RELATED PARTY TRANSACTIONS (CONTINUED)**

The Authority had contracted with the fixed base operator for mowing services and with Polk County for snow removal services.

The Authority rents 9.85 acres of land to a Board member at \$50 per acre.

**NOTE 9 - OTHER AGREEMENTS**

The Authority entered into a land license agreement with an outside party for use of Authority property to construct and maintain an office building. The agreement calls for monthly lease payments of \$500 for a period of twenty-five years. Two five-year renewal options are allowed. The property, including buildings, reverts to the Authority at the termination of the agreement.

The Authority has entered into a twenty-year lease for a fixed base operator to serve the airport. The lease allows for two additional consecutive five-year options. Rent will be charged as follows:

Base rent ..... \$1 per year

License fee..... \$4,500 per year beginning July 1, 2008

The license fee shall be renegotiated each five years

Fuel fee ..... \$0.09 per gallon sold or consumed is charged after April 30, 2004

Hangar land rent .. \$3,360 annually for 16,800 square feet commencing July 1, 2005 for a period of 15 years with 2 five year renewal options. The rent is adjusted annually based on the consumer price index. In 2010 the consumer price index was \$0.227 per square foot.

Building rent..... \$3,000 per month through December 31, 1999 and an annual calculation based on sublease income for the remaining 14 years.

The Authority receives lease income from 14 garages at \$105 per month each and 72 hangar units at \$170 per month each. The lease terms generally are for one annual period and subject to revision upon renewal.

**NOTE 10 – LITIGATION**

The Authority is subject to an appeal of condemnation awards related to land acquisition for the SE Four Mile Drive Relocation and Runway Protection Zone Projects. The probability of an amount having to be paid over and above the original condemnation awards is undeterminable.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**POLK COUNTY AVIATION AUTHORITY**

**Budgetary Comparison Schedule  
For the Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Over/(Under) Budget
<b>Operating Revenues</b>				
MEMBER GOVERNMENT CONTRIBUTIONS	577,421	577,421	577,421	-
LEASES AND FEES	45,000	46,000	46,685	685
FUEL INCOME	40,000	32,000	32,682	682
TERMINAL RENTAL/UTILITY INCOME	37,000	44,500	43,839	(661)
T-HANGAR RENTAL INCOME	160,000	164,000	163,875	(125)
OTHER	-	-	45	45
<b>Total Operating Revenues</b>	<b>859,421</b>	<b>863,921</b>	<b>864,547</b>	<b>626</b>
<b>Operating Expenses</b>				
OFFSITE ACCOUNTING SERVICES	8,000	12,500	12,436	(64)
OVERHEAD-MANAGER & PUBLIC WORKS	400	700	610	(90)
FINANCIAL SERVICES	900	2,900	3,175	275
ADVERTISING AND PROMOTION	100	100	-	(100)
PUBLICATIONS	1,400	1,400	984	(416)
CONFERENCES AND SEMINARS	2,000	4,000	2,475	(1,525)
LEGAL SERVICES	8,000	11,000	8,361	(2,639)
AUDIT EXPENSES	10,000	7,700	7,675	(25)
GENERAL INSURANCE	7,750	6,500	6,500	-
PROPERTY INSURANCE	1,700	1,500	1,282	(218)
PUBLIC OFFICIALS INSURANCE	8,000	7,600	7,443	(157)
TRACTOR AND MOWER REPAIRS	750	-	-	-
SNOW AND MOWING	50,000	65,000	70,384	5,384
MAINTENANCE AND REPAIRS	20,500	20,000	28,790	8,790
NDB MAINTENANCE EXPENSE	550	-	-	-
UTILITIES	7,250	7,000	5,875	(1,125)
ENGINEERING - GENERAL	12,000	12,000	15,429	3,429
MISCELLANEOUS	550	500	308	(192)
T-HANGAR UTILITIES	7,500	8,000	7,819	(181)
T-HANGAR ADVERTISING AND PROMOTION	100	100	-	(100)
T-HANGAR PROPERTY INSURANCE	8,500	8,000	7,504	(496)
T-HANGAR SNOW AND MOWING	24,000	30,000	27,205	(2,795)
T-HANGAR MAINTENANCE AND REPAIRS	5,000	4,000	1,979	(2,021)
TERMINAL BUILDING PROPERTY INSURANCE	4,300	3,800	3,624	(176)
TERMINAL BUILDING SNOW AND MOWING	9,000	10,000	9,068	(932)
TERMINAL BUILDING MAINTENANCE AND REPAIRS	7,200	7,000	6,430	(570)
TERMINAL BUILDING UTILITIES	14,500	14,000	12,037	(1,963)
T-HANGAR BAD DEBT	-	-	743	743
NE 29 STREET ROADWAY REALIGNMENT	850,000	5,000	1,783	(3,217)
RUNWAY 22 RPZ ACQUISITION	4,513,538	2,400,000	57,314	(2,342,686)
DRAINAGE IMPROVEMENTS	-	22,500	22,177	(323)
<b>Total Operating Expenses</b>	<b>5,583,488</b>	<b>2,672,800</b>	<b>329,410</b>	<b>(2,343,390)</b>

POLK COUNTY AVIATION AUTHORITY

Budgetary Comparison Schedule  
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Over/(Under) Budget
Other Income				
INTEREST INCOME	28,000	30,000	31,785	1,785
FAA REIMBURSEMENT	5,095,361	2,284,750	-	(2,284,750)
Total Other Income	5,123,361	2,314,750	31,785	(2,282,965)
Other Expenses				
BOND/LOAN PRINCIPAL	235,000	235,000	235,000	-
BOND/LOAN INTEREST	191,257	191,257	190,340	(917)
Total Other Expenses	426,257	426,257	425,340	(917)
Net Change in Net Assets	(26,963)	79,614	141,582	61,968
Net Assets - Beginning	2,638,717	2,691,195	2,694,447	3,252
Net Assets - Ending	2,611,754	2,770,809	2,836,029	65,220

**Polk County Aviation Authority**

**Explanation of Differences Between Budgetary  
Basis and GAAP Basis Revenues and Expenses  
For the Year Ended June 30, 2010**

**Ordinary and other income:**

Actual amount of ordinary income and other income on a budgetary basis from  
the budgetary comparison schedule

\$ 896,332

Total GAAP basis ordinary and other income

\$ 896,332

**Ordinary and other expenses:**

Actual amount of ordinary expenses and other expenses on a budgetary basis  
from the budgetary comparison schedule

\$ 754,750

Bond principal payments are recorded as an expenditure on a budgetary basis,  
but are not expensed on a GAAP basis.

(235,000)

Bond issuance costs are expensed and bond discounts are not recorded on a  
budgetary basis. These costs and discounts are recorded and amortized under  
GAAP.

35,575

Depreciation and losses on fixed assets are reported on a GAAP basis but are  
not recorded on a budgetary basis

870,070

Purchases of capital assets are reported as an expense on a budget basis but  
are capitalized and depreciated on a GAAP basis

(59,097)

Total GAAP basis ordinary and other expenses

\$ 1,366,298

The notes to the required supplementary information are an integral part of this schedule.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Polk County Aviation Authority  
Ankeny, Iowa

We have audited the financial statements of Polk County Aviation Authority as of and for the year ended June 30, 2010, and have issued our report thereon dated October 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Polk County Aviation Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Polk County Aviation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Authority. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in Part II of the accompanying schedule of findings.

This report, a public record by law, is intended solely for the information and use of the members and constituents of Polk County Aviation Authority and other parties to whom the Authority may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*Denman & Company, LLP*

DENMAN & COMPANY, LLP

West Des Moines, Iowa  
October 19, 2010

**Polk County Aviation Authority  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year ended June 30, 2010**

<u>Findings</u>	<u>Status</u>	<u>Corrective Action Plan or Other Explanation</u>
<b>Reportable Conditions in Internal Control</b>		
None		
<b>Other Findings Related to Required Statutory Reporting</b>		
<b>09-II-C</b>	The Authority did not publish the proceedings of each regular, adjourned or special meeting of the board in at least one newspaper published in the Authority within two weeks following the adjournment of the meeting.	Corrective action taken

**Polk County Aviation Authority  
SCHEDULE OF FINDINGS  
Year ended June 30, 2010**

**Part I—Findings Related to the Financial Statements**

No matters regarding significant deficiencies, material weaknesses or instances of noncompliance relative to the financial statements were reported.

**Polk County Aviation Authority  
SCHEDULE OF FINDINGS  
Year ended June 30, 2010**

**Part II—Findings Related to Required Statutory Reporting**

**10-II-A QUESTIONABLE EXPENSES**

No questionable expenditures of Authority funds were noted.

**10-II-B TRAVEL EXPENSE**

No expenditures of Authority money for travel expenses of spouses of Authority officials or employees were noted.

**10-II-C BOARD MINUTES**

No transactions were found that we believe should have been approved in the Board minutes but were not.

**10-II-D DEPOSITS AND INVESTMENTS**

No instances on noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Authority's investment policy were noted.